CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
中 海 發 展 股 份 有 限 公 司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

2013 INTERIM REPORT

(Hong Kong Stock Exchange Stock Code: 1138)
(Shanghai Stock Exchange Stock Code: 600026)

CONTENT

1. ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE REPORTING PERIOD

In the first half of 2013, amidst the weak recovery of global economy, the international shipping market continued to be slumping, and the environment in which shipping enterprises operated remained challenging.

On the dry bulk cargo shipping market, freight rates in the market continued to decline under pressure as a result of a smaller increase in the global bulk cargo shipping volume, slower but somewhat growing dry bulk shipping capacity, as well as the condition of supply in excess of demand in the international dry bulk shipping market. The average value of the Baltic Dry Index ("BDI") in the first half of 2013 was 841 points, down 11% as compared to the same period last year.

On the domestic coastal bulk shipping market, under the impact of slower growth in power generation, the domestic coal demand weakened, and aggravated by the impact of imported coal, there was severe inadequacy in the domestic coastal shipping demand for coal, while the coastal shipping capacity kept on growing. Therefore, an unprecedented downturn appeared in the coastal bulk shipping market in the first half of 2013. The average value of the Coastal Bulk Freight Index ("CBFI") reached a new record low level in the first half of 2013 at 1,043 points, down 8% as compared to the same period last year.

According to the statistics of the International Energy Agency, the global oil demand was basically stable in the first half of 2013, with daily consumption of approximately 89.60 million barrels, up 0.6% as compared to the same period last year. Meanwhile, despite a slight continuing growth in the size of global tanker fleets, there was no substantive improvement in the oversupply condition of shipping capacity in the international tanker shipping market during the first half year, as a result freight rates were hovering at low levels. In the first half of 2013, the daily average of Baltic Dirty Tanker Index ("BDTI") was 640 points, representing a decrease of 10.9% as compared to the same period last year, of which the daily average freight index for very large crude oil carriers ("VLCC") on shipping routes from the Middle East to Japan was WS36 points, representing a decrease of 29.3% as compared to the same period last year.

For coastal oil shipment, under the impact of the construction work of crude oil terminals and pipelines, the transshipment volume of imported crude oil fell significantly. Nevertheless, due to the recovery of production at Penglai 19-3 oilfield in Bohai Bay, the offshore oil shipping volume had increased year-on-year. Overall speaking, the coastal oil shipment market remained relatively stable. Facing market changes, the Group persisted in the strategy of cooperation with large oil companies to vigorously develop new sources of products. The Group still maintained a market share of approximately 55% in the domestic crude oil shipping market in the first half of 2013 and continued its leading position in the coastal oil shipping market.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD

In the first half of 2013, the Group strengthened the marketing, cost management and safety control by adhering to the focus of work on "efficiencies and steady growth" and further deepening its strategy of "major clients, great co-operation and comprehensive services". As a result, the Group's operations and safety management worked smoothly, maintaining an overall sound and steady development.

Affected by factors such as imbalance between supply and demand and low freight rates in the shipping market, the Group incurred operating losses in the first half of 2013.

During the Reporting Period, the volume of freight shipping turnover completed by the Group was 201.81 billion tonne-nautical miles, representing an increase of 8.4% as compared to the same period last year; total revenue derived from the principal operations (after business tax and surplus, the same below) was RMB5.228 billion, representing a decrease of 6.9% as compared to the same period last year. Total operating costs incurred in the principal operations was RMB5.443 billion, representing a decrease of 7.0% as compared to the same period last year. Net loss attributable to owners of the Parent was RMB923 million, as compared to net loss of RMB492 million for the same period last year.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

1. Analysis of principal operations of the Group

An analysis of the principal operations in terms of products transported and geographical regions during the Reporting Period is as follows:

Sub-business or sub-product	Operating Turnover (RMB'000)	Gross profit margin (%)	Increase/ decrease in operating turnover as compared with the same period in 2012 (%)	Increase/ decrease in gross profit margin compared with the same period in 2012 (%)
Domestic	1,010,129	16.9	-2.0	2.7
Crude oil transportation	857,079	22.8	7.0	2.5
Refined oil transportation	153,050	-15.8	-33.4	-9.2
International	1,631,549	-17.7	-9.5	-2.2
Crude oil transportation	770,338	-29.4	-38.9	-18.8
Refined oil transportation	861,211	-7.2	59.3	19.8
Sub-total of oil transportation	2,641,678	-4.4	-6.7	0.2
Domestic	1,238,775	-15.9	-10.2	0.5
Coal transportation	885,526	-10.0	-19.1	-2.1
Iron ore transportation	181,490	-29.2	29.3	35.0
Other dry bulk cargoes transportation	171,759	-32.0	18.6	1.8
International	1,347,337	7.3	-4.0	-1.3
Coal transportation	380,244	-12.3	32.8	2.5
Iron ore transportation	896,732	21.2	-2.2	-0.2
Other dry bulk cargoes transportation	70,361	-64.3	-64.9	-48.0
Sub-total of bulk transportation	2,586,112	-3.8	-7.1	-0.1
Total	5,227,790	-4.1	-6.9	0.1

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

1. Analysis of principal operations of the Group (Continued)

(1) Shipping business — oil shipments

In 2013, the Group continued to strengthen the marketing efforts in oil shipment operations by driving the strategy of "major clients, great co-operation and comprehensive services" with full force, and achieved good effects. In the first half of 2013, the Group captured an increase of 15.6% in the operating turnover from domestic offshore oil shipping with profit earnings, which marked a major highlighted area of the Group's operations in the first half of the year.

In the first half of 2013, the Group had 5 newly delivered tankers of 322,000 deadweight tons. As at 30 June 2013, the Group owned 79 tankers of 7.29 million deadweight tons.

In the first half of 2013, the Group achieved a total shipping volume of 95.75 billion tonne-nautical miles of oil shipment, representing a decrease of 3.8% as compared to the same period last year; the revenue achieved was RMB2.642 billion, representing a decrease of 6.7% as compared to the same period in 2012.

An analysis of the transportation volume and turnover in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2013 (billion tonne nautical miles)	In the first half of 2012 (billion tonne nautical miles)	Increase/ decrease (%)
Domestic	**8.23**	8.35	-1.5
Crude oil transportation	**6.57**	6.54	0.4
Refined oil transportation	**1.66**	1.81	-8.2
International	**87.52**	91.17	-4.0
Crude oil transportation	**66.25**	78.77	-15.9
Refined oil transportation	**21.27**	12.40	71.6
Total	**95.75**	99.52	-3.8

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

1. Analysis of principal operations of the Group (Continued)

(1) Shipping business — oil shipments (Continued)

Operating turnover by cargo specie

	In the first half of 2013 (RMB million)	In the first half of 2012 (RMB million)	Increase/ decrease (%)
Domestic	1,010	1,030	-2.0
Crude oil transportation	857	800	7.0
Refined oil transportation	153	230	-33.4
International	1,632	1,802	-9.5
Crude oil transportation	771	1,262	-38.9
Refined oil transportation	861	540	59.3
Total	2,642	2,832	-6.7

(2) Shipping business — dry bulk shipments

In the first half of 2013, the Group continued to strengthen marketing activities as well as increase revenue and reduce expenses. Among its three major dry bulk shipment segments, being coastal, offshore and joint ventures, offshore dry bulk shipments became another major highlight of the Group in the first half of 2013. The Group's volume of offshore dry bulk freight shipment turnover accounted for over 60% in the first half of 2013, achieving a good result of shipment profits of RMB90 million.

In the first half of 2013, the Group had 6 newly delivered dry bulk vessels of 587,000 deadweight tons. As at 30 June 2013, the Group owned 123 dry bulk vessels of 8.61 million deadweight tons.

In the first half of 2013, the volume of dry bulk shipment turnover achieved by the Group was 106.05 billion tonne-nautical miles, representing an increase of 22.3% as compared to the same period last year; revenue derived from dry bulk freight shipments was RMB2.586 billion, representing a decrease of 7.1% as compared to the same period last year.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

1. Analysis of principal operations of the Group (Continued)

(2) Shipping business — dry bulk shipments (Continued)

An analysis of the transportation volume and turnover in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2013 (billion tonne nautical miles)	In the first half of 2012 (billion tonne nautical miles)	Increase/ decrease (%)
Domestic	33.20	29.42	12.9
Coal transportation	25.94	23.89	8.6
Iron ore transportation	3.22	3.17	1.7
Other dry bulk cargoes transportation (Note)	4.04	2.36	71.0
International	72.85	57.30	27.2
Coal transportation	9.78	8.47	15.5
Iron ore transportation	51.73	31.26	65.5
Other dry bulk cargoes transportation (Note)	11.34	17.57	-35.5
Total	106.05	86.72	22.3

Operating turnover by cargo specie

	In the first half of 2013 (RMB million)	In the first half of 2012 (RMB million)	Increase/ decrease (%)
Domestic	1,239	1,379	-10.2
Coal transportation	886	1,094	-19.1
Iron ore transportation	181	140	29.3
Other dry bulk cargoes transportation (Note)	172	145	18.6
International	1,347	1,403	-4.0
Coal transportation	380	286	32.8
Iron ore transportation	897	917	-2.2
Other dry bulk cargoes transportation (Note)	70	200	-64.9
Total	2,586	2,782	-7.1

Note: Other dry bulk cargoes include metal ore, non-metallic ore, steel, cement, timber, grain, insecticide, fertilizer and so on except for coal and iron ore.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

1. Analysis of principal operations of the Group (Continued)

(3) Progress made in LNG shipments

In the first half of 2013, the Group continued to promote the LNG shipments by successful execution of a basket agreement in relation to 6 LNG vessels for phase 1 of Sinopec APLNG Shipment Project in April 2013, while steady progress was achieved in the joint venture with Mitsui OSK Lines (MOL) (further detail of which are announced by the Company on 15 July 2011). In addition, the Group successfully completed two voyages of LNG coastal shipments in January 2013, marking a breakthrough as our first domestic coastal LNG shipment.

2. Costs and expenses analysis

In the first half of 2013, the Group conscientiously implemented all requirements of our Board on cost reduction and efficiency enhancement by way of operational management and comprehensive budget management to further enhance cost management and control. As a result, all costs and expenses were effectively controlled, in particular the fuel costs.

In the first half of 2013, the total operating costs incurred by the Group was RMB5,443 million, representing a decrease of 7.0% as compared with the same period in 2012. The composition of the main operating costs are analysed as follows:

Item	In the first half of 2013 (RMB million)	In the first half of 2012 (RMB million)	Increase/ decrease (%)	Composition ratio in 2013 (%)
Fuel cost	**2,422**	2,811	-13.8	44.5
Port cost	**525**	574	-8.5	9.6
Labor cost	**788**	758	4.0	14.5
Lubricants expenses	**123**	132	-6.8	2.3
Depreciation	**798**	696	14.6	14.7
Insurance expenses	**128**	126	1.6	2.3
Repair expenses	**191**	261	-26.8	3.5
Charter cost	**255**	327	-22.0	4.7
Others	**213**	166	28.3	3.9
Total	5,443	5,851	-7.0	100.0

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

2. Costs and expenses analysis (Continued)

The fuel cost incurred by the Group in the first half of 2013 was approximately RMB2,422 million, representing a decrease of 13.8% as compared with the same period in 2012, accounting for 44.5% of the total operating cost. The Group achieved remarkable cost reduction through various energy saving approaches such as sailing at economical speed, centralised procurement and purchase of fuel oil at locking prices. In light of the total shipping turnover volume increased by 8.4% compared with the same period in 2012, the total fuel consumption of the Group amounted to 584,000 tons, representing a decrease of 1.0% as compared with the same period in 2012. The fuel consumption per thousand nautical miles was 2.89 kg, representing a decrease of 8.6% as compared with that of the same period in 2012.

3. Interests in the jointly-controlled entities' results

In the first half of 2013, the Group has recognised its loss from its jointly-controlled entities of approximately RMB38 million, as compared to a profit of RMB152 million during the same period in 2012. In the first half of 2013, the 5 jointly-controlled shipping companies achieved a shipping volume of 70.29 billion tonne-nautical miles, representing an increase of 15.2% as compared with the same period in 2012. The operating turnover achieved by the 5 jointly-controlled shipping companies in the first half of 2013 was approximately RMB3.49 billion, representing an increase of 9.9% as compared with the same period in 2012, with a net loss of approximately RMB112 million, as compared to a profit of RMB281 million during the same period in 2012. The 5 jointly-controlled entities of the Group are mainly engaged in domestic coastal bulk transportation, and their operating revenue and profits were adversely affected to a certain degree due to the sustained downturn of the domestic coastal bulk shipping market in the first half of 2013.

As at 30 June 2013, the 5 jointly-controlled shipping companies owned 57 bulk vessels with a total capacity of 3.02 million deadweight tonnes and 48 vessels under construction with the capacity of 2.692 million deadweight tonnes.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

3. Interests in the jointly-controlled entities' results (Continued)

The operating results achieved by the 5 jointly-controlled shipping companies in the first half of 2013 are as follows:

Company Name	Interest held by the Company	Shipping volume (billion tonne nautical miles)	Operating revenue (RMB'000)	Net profit/ (loss) (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	43.30	1,770,391	53,611
Shanghai Times Shipping Co., Limited	50%	21.48	1,440,702	(151,933)
Shanghai Friendship Marine Co., Limited	50%	0.95	61,066	(13,315)
Huahai Petrol Transportation & Trading Co., Limited	50%	0.76	62,410	(3,644)
Guangzhou Development Shipping Co., Limited	50%	3.80	158,938	3,759

In the first half of 2013, the net profit achieved by China Shipping Finance Co., Limited, a non-shipping jointly-controlled entity, with 25% interest held by the Company, was RMB74,251,000.

3. FINANCIAL ANALYSIS

1. Net cash inflow/outflow

The net cash inflow and outflow from operating activities of the Group is RMB637,517,000 and RMB 221,855,000 for the six months ended 30 June 2013 and 2012 respectively.

2. Capital commitments

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (Note 1)	12,508,415	6,742,053
Equity investments (Note 2)	1,029,673	1,029,703
	13,538,088	7,771,756

The Group had the following capital commitments at 30 June 2013 of which RMB5,916,284,000 (31 December 2012: RMB6,742,053,000) will be due within one year.

Note:

(1) According to the construction and purchase agreements entered into by the Group from January 2007 to June 2013, these capital commitments will fall due in 2013 to 2017.

(2) Included capital commitments in respect of equity investments is commitment to invest in jointly-controlled entities, Shenhua Zhonghai, of RMB1,029,668,000 (31 December 2012: RMB1,029,668,000) and a subsidiary, China Energy Shipping Investment Company Limited of RMB5,000 (31 December 2012: RMB35,000) respectively.

3. Capital structure

As at 30 June 2013, the equity attributable to the owners of the Company and net debts (as total debt (which includes interest-bearing bank borrowings, notes, other loan, finance lease and bonds payable) less cash and cash equivalents) amounted to approximately RMB22,497,200,000 and approximately RMB29,313,205,000 respectively and the debt-to-equity ratio was 130% (31 December 2012: 114%).

3. FINANCIAL ANALYSIS (Continued)

4. Trade and bills receivables

The carrying amounts of trade and bills receivables approximate their fair values.

An aged analysis of the trade and bills receivables is as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
1 - 3 months	1,143,150	81	1,345,645	91
4 - 6 months	263,944	19	131,054	9
7 - 9 months	8,293	—	6,751	—
10 - 12 months	106	—	1,075	—
1 - 2 years	623	—	341	—
	1,416,116	100	1,484,866	100

The Group normally allows an average credit period of 30 to 120 days to its major customers. In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

5. Trade and bills payables

The carrying amounts of trade and bills payables approximate their fair values.

Ageing analysis of trade and bills payables is as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
1 - 3 months	1,122,683	79	1,083,462	90
4 - 6 months	155,625	11	79,132	6
7 - 9 months	52,795	4	27,010	2
10 - 12 months	36,524	3	3,620	—
1 - 2 years	39,294	3	8,288	1
Over 2 years	7,609	—	6,401	1
	1,414,530	100	1,207,913	100

The trade payables are non-interest-bearing and are normally settled in 30 to 180 days.

3. FINANCIAL ANALYSIS (Continued)

6. Derivative financial instruments

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements	8,929	12,758

As at 30 June 2013, the Group held two interest rate swap agreements, the total notional principal amount of the two interest rate swap agreements was USD114,093,333 (approximately RMB704,993,000). The interest rate swap agreements, with maturity in January and September 2016 are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

During the current period, the floating interest rates of the bank loans were LIBOR + 0.42% or 0.45% (31 December 2012: LIBOR + 0.42% or 0.45%). The gains and losses for the interest rate swap agreements during the period are as follows:

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Total fair value gain included in the hedging reserve	3,647	880
Hedge loan interest included in finance costs	(3,335)	(3,940)
Total gain/(losses) on cash flow hedges of interest rate swap agreements for the current period	312	(3,060)

3. FINANCIAL ANALYSIS (Continued)

7. Notes, interest-bearing bank and other borrowings

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows:

	Annual effective Interest (%)	Maturity	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Current liabilities				
(i) Bank loans				
Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2013-2014	**1,531,463**	1,069,328
Unsecured	5% discount to the PBC Benchmark interest rate, Libor + 0.40% to 4.00%, 3.50%	2013-2014	**2,055,592**	1,678,164
			3,587,055	2,747,492
(ii) Other borrowings				
Secured	5.89%, 6.46%	2013	**4,590**	18,657
Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.00%	2013	**782,740**	1,428,740
			787,330	1,447,397
Interest-bearing bank and other borrowings – current portion			**4,374,385**	4,194,889

3. FINANCIAL ANALYSIS (Continued)

7. Notes, interest-bearing bank and other borrowings (Continued)

		Annual effective Interest (%)	Maturity	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Non-current liabilities					
(i)	**Bank loans**				
	Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.40% to 2.20%, 6.46% to 6.80%	2016-2024	7,772,051	8,327,379
	Unsecured	Libor + 1.35% to 1.70%, 6.55%	2019-2024	1,434,809	1,257,236
				9,206,860	9,584,615
(ii)	**Notes**				
	Unsecured	3.90%	2014	2,998,067	2,997,211
(iii)	**Other borrowings**				
	Secured	5.89%, 6.46%	2023	141,015	188,663
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2014-2023	5,400,220	5,436,590
				5,541,235	5,625,253
Notes, interest-bearing bank and other borrowings – non-current portion				17,746,162	18,207,079

3. FINANCIAL ANALYSIS (Continued)

7. Notes, interest-bearing bank and other borrowings (Continued)

(b) As at 30 June 2013, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Analysed into:		
(i) Bank loans:		
Within one year or on demand	**3,587,055**	2,747,492
In the second year	**1,214,490**	1,254,148
In the third to fifth year, inclusive	**3,523,607**	3,595,355
Over five years	**4,468,763**	4,735,112
	12,793,915	12,332,107
(ii) Notes:		
In the second year	**2,998,067**	2,997,211
(iii) Other borrowings:		
Within one year or on demand	**787,330**	1,447,397
In the second year	**2,407,615**	86,554
In the third to fifth year, inclusive	**26,520**	2,407,994
Over five years	**3,107,100**	3,130,705
	6,328,565	7,072,650
	22,120,547	22,401,968

The Group's bank loans are secured by pledges or mortgages of the Group's 30 vessels (31 December 2012: 31 vessels) and another 6 vessels under construction (31 December 2012: 6 vessels under construction) with total net carrying amount of RMB15,679,997,000 (31 December 2012: RMB16,073,385,000) at 30 June 2013. Collateralised borrowings are secured by trade receivables of RMB485,526,000 (31 December 2012: RMB Nil).

The carrying value of the Group's notes, interest-bearing bank and other borrowings approximate their fair values.

Except for secured bank loans of RMB9,163,619,000 (31 December 2012: RMB8,924,947,000), unsecured bank loans of RMB2,851,649,000 (31 December 2012: RMB1,964,098,000) and unsecured other borrowings of RMB Nil (31 December 2012: RMB628,550,000) which are denominated in USD, all other borrowings are denominated in RMB.

3. FINANCIAL ANALYSIS (Continued)

8. Risk on foreign currency

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and Hong Kong Dollar ("HKD") against RMB. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

As at 30 June 2013, the Group's foreign exchange liabilities mainly comprised secured bank loans equivalent to approximately RMB9,163,619,000 (31 December 2012: RMB8,924,947,000), and unsecured bank loans and other borrowings equivalent to approximately RMB2,851,649,000 (31 December 2012: RMB2,592,648,000). In addition, the Company would pay dividend for H shares in HKD.

The Group does not have any significant exposure to foreign exchange risk.

Given the increasing revenue from the Group's international shipping business, changes in exchange rates will have certain impact on the Group's profitability. Therefore, the Group will further strengthen its efforts in monitoring and studying exchange rate fluctuations, and will actively implement effective measures to strive to avoid exchange rate fluctuation risks. Firstly, the Group will strive to break even USD payables/receivables for its operations. Secondly, the Group will conscientiously analyze and compare available financial instruments for averting exchange rate risks, so as to hedge and lock in financial costs, and to effectively protect against risks caused by exchange rate fluctuations.

9. Contingent liabilities

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group is in the process of setting up a Limitation of Liability for Maritime Claims fund amounting to RMB22,250,000. Since the Group had been insured, all compensation will be borne by the insurance company. As at 30 June 2013, the Group was still in the process of settling all the issues concerned.

(ii) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 30 June 2013, claims on damage caused by the fuel leakage amounted to an aggregate of RMB40,537,000. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensation will be borne by the insurance companies. As at 30 June 2013, the Group was still in the process of settling all the issues concerned.

3. FINANCIAL ANALYSIS (Continued)

9. Contingent liabilities (Continued)

(iii) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies above entered into Ship Building Contracts for the construction of one LNG vessel each. After the completion of the LNG vessels, the four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following Charterers:

Company name	Charterer
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four guaranteed leases ("the lease guarantees"). According to the lease guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of lease guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB51 million).

The guarantee period is limited to that of the lease period, which is 20 years.

(iv) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. As at 10 July 2013, the claims on damage caused by the collision amounted to an aggregate of RMB95,000,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 8 August 2013, the Group was still in the process of settling all the issues concerned.

4. OTHERS

Fleet expansion projects

During the first half of 2013, a fleet of 11 new vessels with a total capacity of 909,000 deadweight tonnes have been delivered for use in the first half of 2013, which comprised 5 new tankers with a total capacity of 322,000 deadweight tonnes and 6 new bulk vessels with a total capacity of 587,000 deadweight tonnes. In addition, the Group disposed of 3 single hull tankers of 244,000 deadweight tonnes and one old bulk vessel of 64,000 deadweight tonnes respectively. Following the adjustment to the fleet composition, the current fleet composition of the Group was further optimized. The average single vessel capacity kept on rising and the average age of our vessels decreased year by year.

As at 30 June 2013, the Group owned 202 vessels with a total capacity of 15.9 million deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes (million)	Average age (years)
Tankers	79	7.29	7.6
Bulk vessels	123	8.61	12.1
Total	202	15.90	10.4

5. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2013

1. Competitive landscape and development trend in the industry

In the second half of 2013, the global economy is expected to recover modestly with greater uncertainties, and the international economic conditions remain complicated. In terms of shipping market, although shipowners have reduced new orders and accelerated the pace of ship scrapping, excessive supply of shipping capacity in the world still exists. Therefore, it is expected that the shipping market will remain in difficult times in the second half of 2013, and the business environment will be more complex and volatile, with the co-existence of challenges and opportunities.

5. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2013 (Continued)

2. Development strategies of the Company

Under the current market conditions, the Group will continue to persist in progress while maintaining stability in the second half of 2013. On the basis of increased cooperation with large customers, the Group will focus on adjustment and optimization of market structure, fleet structure and talent team structure, and adhere to low cost competitive strategies so as to improve its corporate core competitiveness.

Facing the request for accelerated disposal of single shell tankers in the domestic market, 11 existing single hull tankers of the Company with capacity of approximately 485,000 deadweight tons, as well as 28 bulk vessels of over 20 years of age with capacity of approximately 950,000 deadweight tons, will be disposed of within two years' time from the current year to next year. The Company will pay close attention to national policies and further optimize its fleet structure step-by-step by timely disposal of old and obsolete vessels with high fuel consumption, small tonnage and weak market competitiveness, in order to enhance the competitiveness of the fleet.

As the current oversupply condition of the shipping market is yet to improve, the Group will also be under relatively greater pressure on delivery of new vessels. In the second half of 2013, the addition of 21 new vessels with a total tonnage of 1,912,000 deadweight tonnes is expected by the Group, including one tanker of 320,000 deadweight tons and 20 bulk vessels of 1,592,000 deadweight tons. As a result, it is anticipated the total shipping capacity to be delivered for actual use for the full year will be 16.53 million deadweight tons, representing an increase of 15.6% as compared to the same period last year. To this end, the Company will actively negotiate with shipyards to delay the construction and delivery schedule of some new vessels to reduce depreciation charges and finance costs. Meanwhile, the Company will further enhance the level of digitised and streamlined management, strengthen risk management capacity and various cost control measures to continuously improve its overall corporate strengths.

5. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2013 (Continued)

3. Work initiatives of the Company

To cope with the current tough market environment, in the second half of 2013, the Group will act as follows:

(1) Enhance marketing efforts, deepen the cooperation with major customers and strengthen customer management and customer services. Facing the tough market conditions, the Company will continue to adhere to the strategy of “major clients, great co-operation and comprehensive services”, continuously enhance service awareness to meet customer’s demand and offer value-added services actively, and enhance the executive ability on the management of major clients. Meanwhile, the Company will also increase its efforts on the development of customer base, so as to integrate small and medium-sized customers into major clients to facilitate management, nurture its potential customers into regular customers and short-term customers into long-term cooperation partners of the Company.

As for oil shipment, in the second half of 2013, the Group will focus on promoting the cooperation projects with large domestic oil companies to increase presence in the offshore oil incremental market and enhance its coastal market share. As for bulk shipment, the Group will strengthen the profitability of the associated companies, improve its communication with the senior management of all partners, and maintain the results of joint venture partnerships. It will also make good use of the unified platform for bulk business, enhance the share of offshore shipping business, improve the supply structure and increase the shipping volumes of imported coal, grain and fertilizer. As for LNG shipment, the Group will further deepen all-round business and capital cooperation with Sinopec, Petrochina and its subordinated companies and actively promote the coastal LNG shipment cooperation projects.

(2) Strengthen cost reduction and efficiency improvement and endeavour to build low cost competitive edges. The Group will continue to foster the awareness of resources conservation, and make great efforts to implement various measures to save energy and reduce discharge. It will cut down the expenses and expenditures, and strengthen its control on fuel costs, management fees, shipping crew and onshore staff costs, as well as further strengthen and improve the financial management system, in order to provide an institutional assurance for cost controls.

(3) Broaden its financing sources to secure funds for corporate developments. According to the Group’s delivery plans of new vessels, the capital expenditure of the Group for the years 2013 to 2014 will be RMB6.33 billion and RMB4.22 billion, respectively. Meanwhile, the associated and joint venture companies of the Group have a strong demand for capital increases. In this connection, the Group will further strengthen cooperation with banks to secure funding requirements by utilizing financial instruments in a scientific and reasonable way, lower financing costs, continuously improve capital operation effectiveness and efficiencies, maintain relatively sound financial structure and prevent financial risks and capital risks in a practicable manner.

5. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2013 (Continued)

3. Work initiatives of the Company (Continued)

(4) Attach high importance to personnel cultivation, strengthen the construction of talent teams and further advance the strategy of "developing on the basis of talents" to ensure the availability of talents for the sustainable development of the Company. Firstly, it will strengthen the cultivation of operational personnel to create an excellent marketing team. Secondly, it will enhance the training on its management staff in respect of specialised skills to maximise their full potential. Thirdly, it will set up a shipping crew of high standards to ensure the safety and security of vessels and improve the service quality for its freight customers.

6. OTHER MATTERS

1. The warning and explanation for the forecast of possible accumulated net losses for the period from the beginning of the year to the end of the next reporting period or for significant changes in accumulated net profit as compared to the corresponding period of last year

Since the beginning of 2013, there has been a sustained downturn in the domestic and overseas shipping markets. It is expected that the Group will record accumulated net losses during the nine months ended 30 September 2013.

2. Changes in directors, supervisors and senior management

(1) On 28 February 2013, the Company convened the third meeting of the Board of 2013 and resolved to appoint Mr. Han Jun as the general manager of the Company and not to re-appoint Mr. Yan. Zhichong as the general manager of the Company. The board also resolved to re-appoint Mr. Qiu Guoxuan as a deputy general manager of the Company, to re-appoint Mr. Wang Kangtian as a deputy general manager and the chief financial officer of the Company, to re-appoint Mr. Tan Weixin as a deputy general manager of the Company and to re-appoint Mr. Zhuang Deping as a deputy general manager of the Company.

(2) On 19 March 2013, the Company convened the forth meeting of the Board of 2013 and resolved to accept the resignation of Mr. Yan Zhichong as an executive director of the Company and resolved to appoint Mr. Han Jun as an executive Director of the Company. The board also resolved to re-appoint Ms. Yao Qiaohong as the secretary of the Board and the Company Secretary.

(3) On 19 March 2013, the Company convened the second meeting of the Supervisors' Committee of 2013 and resolved to accept the resignation of Mr. Xuhui as a supervisor of the Company and resolved to appoint Mr. Chen Jihong as a Supervisor of the Company.

(4) On 26 April 2013, the Company convened the sixth meeting of the Board of 2013 and resolved to appoint Ms. Su Min and Mr. Huang Xiaowen as executive directors of the Company and appoint Mr. Lin Junlai as an independent non-executive director of the Company.

6. OTHER MATTERS (Continued)

2. Changes in directors, supervisors and senior management (Continued)

(5) On 29 May 2013, the Company convened the AGM of the Company and approved to appoint Ms. Su Min, Mr. Huang Xiaowen and Mr. Han Jun as executive directors of the Company, Mr. Lin Junlai as an independent non-executive independent director of the Company and Mr. Chen Jihong as a Supervisor of the Company.

3. Substantial shareholders' interests in shares and underlying shares

As at 30 June 2013, the following shareholders held 5% or more of the nominal value of any class of share capital of the Company, carrying rights to vote in all circumstances at any shareholders' general meeting of the Company, according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company	A	1,578,500,000(L)	74.86%	46.36%
JPMorgan Chase & Co.	H	183,033,314(L)	14.12%	5.38%
		44,586,000(S)	3.44%	1.31%
		23,437,426(P)	1.81%	0.69%
Prudential plc	H	103,740,000(L)	8.00%	3.05%
Government of Singapore Investment Corporation Pte Ltd	H	92,598,900(L)	7.14%	2.72%
Schroders Plc	H	76,944,000(L)	5.94%	2.26%
Citigroup Inc.	H	75,967,138(L)	5.86%	2.23%
		3,446,959(S)	0.27%	0.10%
		67,856,943(P)	5.24%	1.99%
HSBC Holdings plc	H	65,360,488(L)	5.04%	1.92%

Note 1: H - H Shares
A - A Shares
L - represents long position
S - means short position
P - denotes lending pool

Note 2: Percentage shown on that as recorded in the Section 352 SFO register kept by the Company. As at 30 June 2013, the total issued share capital of the Company was 3,404,552,729 Shares of which 1,296,000,000 were H Shares and 2,108,552,729 were A Shares.

Save as disclosed above, as at 30 June 2013, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

6. OTHER MATTERS (Continued)

4. Directors' and supervisors' interests in contracts

As at 30 June 2013, none of the directors or supervisors of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

5. Directors' and supervisors' interests and short positions in shares and underlying shares of the Company

As at 30 June 2013, none of the directors, supervisors, chief executive or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance "SFO") that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

6. Directors' and supervisors' rights to acquire shares or debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or supervisor of the company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or supervisors to acquire such rights in any other body corporate.

7. Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

6. OTHER MATTERS (Continued)

8. Compliance with the Corporate Governance Code

The Board is committed to the principles of corporate governance and focuses on enhancing shareholders' value. In order to reinforce independence, accountability and responsibility, the posts of Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgment and views.

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has established four professional committees under the Board, including an audit committee ("Audit Committee"), a remuneration and appraisal committee, a strategy committee and a nomination committee with defined terms of reference.

9. Audit Committee

The Board has established an Audit Committee to review the financial reporting procedures and internal control of the Group and to provide guidance thereto. The Audit Committee comprises all four independent non-executive Directors of the Company.

The Audit Committee has reviewed the interim results of the Company for the Reporting Period.

10. Remuneration Committee

The remuneration committee of the Company ("Remuneration Committee") comprises the four independent non-executive Directors. The Remuneration Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

11. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Director's securities transactions.

Following specific enquiries made with the Directors, supervisors and chief executives of the Company, the Directors have confirmed to the Company that each of them has complied with the Model Code during the six months ended 30 June 2013.

6. OTHER MATTERS (Continued)

12. Employees

The adjustments of employee remuneration is calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the Company. Under this mechanism, management of employees' remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results for the Company. Save for the remuneration policy disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not receive any bonus. The Company regularly provides its administrative personnel with training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Such training may be in different forms, such as seminars, site visits and study tours.

As at 30 June 2013, the Company had 7,991 employees. During the Reporting Period, the total staff cost was approximately RMB850 million (The same period in 2012: approximately RMB843.8 million).

13. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness and timely disclosure of information. The Company has established a designated department for investor relations, which is responsible for matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organizing results presentation, roadshow, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquires, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company.

The Company has maintained investor relations section at its website at www.cnshippingdev.com to disseminate information to its investors and its shareholders on a timely basis.

By order of the Board
China Shipping Development Company Limited
Li Shaode
Chairman

Shanghai, the PRC
19 August 2013

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

BAKER TILLY
HONG KONG | 天職香港

TO THE BOARD OF DIRECTORS OF CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
(Established in the People's Republic of China as a joint stock company with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 68, which comprises the condensed consolidated statement of financial position of China Shipping Development Company Limited (the "Company") and its subsidiaries (together the "Group") as of 30 June 2013 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 19 August 2013
Lo Wing See
Practising certificate number P04607

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited and restated) RMB'000
Revenue			
Turnover	4	**5,227,790**	5,614,970
Operating costs		**(5,443,374)**	(5,851,041)
Gross loss		**(215,584)**	(236,071)
Other income and gains	5	**18,514**	119,437
Marketing expenses		**(20,244)**	(26,731)
Administrative expenses		**(182,877)**	(163,672)
Other expenses		**(18,116)**	(22,905)
Share of (losses)/profits of jointly-controlled entities		**(37,735)**	152,125
Finance costs	6	**(467,507)**	(280,185)
LOSS BEFORE TAX	7	**(923,549)**	(458,002)
Tax	8	**(5,355)**	(169)
LOSS FOR THE PERIOD		**(928,904)**	(458,171)
OTHER COMPREHENSIVE (EXPENSES)/INCOME			
Item that may be reclassified subsequently to profit or loss:			
Exchange realignment		**(102,809)**	65,311
Net profit on cash flow hedges		**3,647**	880
Other comprehensive (expenses)/income for the period		**(99,162)**	66,191
Total comprehensive expenses for the period		**(1,028,066)**	(391,980)

	Note	For the six months ended 30 June 2013 (Unaudited) RMB'000	For the six months ended 30 June 2012 (Unaudited and restated) RMB'000
Loss for the period attributable to:			
Owners of the Company		**(922,687)**	(492,393)
Non-controlling interests		**(6,217)**	34,222
		(928,904)	(458,171)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(1,019,366)**	(426,555)
Non-controlling interests		**(8,700)**	34,575
		(1,028,066)	(391,980)
Loss per share	9		
– Basic		**27.10 cents**	14.46 cents
– Diluted		**27.10 cents**	14.46 cents

Details of the dividends payable and proposed for the period are disclosed in note 10 to the interim financial information.

The accompanying notes from pages 34 to 68 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2013

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	11	**1,193,458**	1,193,458
Property, plant and equipment	11	**46,333,549**	45,734,065
Investments in associates		**—**	—
Investments in jointly-controlled entities		**3,966,504**	4,020,369
Loan receivables		**165,879**	110,198
Available-for-sale investments		**5,845**	5,873
Deferred tax assets		**241,801**	241,801
		51,907,036	51,305,764
CURRENT ASSETS			
Inventories		**911,492**	934,159
Trade and bills receivables	12	**1,416,116**	1,484,866
Prepayments, deposits and other receivables		**542,098**	756,161
Held-to-maturity investments		**87,000**	—
Cash and cash equivalents		**2,281,744**	3,285,745
		5,238,450	6,460,931
Assets classified as held for sale	11	**—**	93,828
		5,238,450	6,554,759
CURRENT LIABILITIES			
Trade and bills payables	13	**1,414,530**	1,207,913
Other payables and accruals		**589,918**	916,965
Tax payable		**1,322**	3,206
Current portion of other loan		**30,278**	—
Current portion of interest-bearing bank and other borrowings	15	**4,374,385**	4,194,889
Obligation under finance lease		**68,977**	—
		6,479,410	6,322,973
NET CURRENT (LIABILITIES)/ASSETS		**(1,240,960)**	231,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,666,076**	51,537,550

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	17	3,404,553	3,404,553
Reserves		19,092,647	20,112,584
		22,497,200	23,517,137
Non-controlling interests		860,306	868,426
Total equity		23,357,506	24,385,563
NON-CURRENT LIABILITIES			
Other loans		610,556	527,763
Derivative financial instruments	14	8,929	12,758
Notes, interest-bearing bank and other borrowings	15	17,746,162	18,207,079
Obligation under finance lease		440,804	—
Bonds payable	16	8,323,787	8,229,218
Deferred tax liabilities		178,332	175,169
		27,308,570	27,151,987
TOTAL EQUITY AND NON-CURRENT LIABILITIES		50,666,076	51,537,550

Li Shaode
Director

Han Jun
Director

The accompanying notes from pages 34 to 68 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012, as restated	3,404,552	3,947,214	273,418	2,861,496	–	93,158	(17,379)	1,019	(922,389)	873,043	12,903,718	340,455	23,758,305	702,791	24,461,096
Loss for the period, as restated	–	–	–	–	–	–	–	–	–	–	(492,393)	–	(492,393)	34,222	(458,171)
Net profit on cash flow hedges	–	–	–	–	–	–	880	–	–	–	–	–	880	–	880
Exchange realignment	–	–	–	–	–	–	2	–	64,956	–	–	–	64,958	353	65,311
Total comprehensive expenses for the period	–	–	–	–	–	–	882	–	64,956	–	(492,393)	–	(426,555)	34,575	(391,980)
Conversion of convertible bonds	1	2	–	–	–	–	–	–	–	(1)	–	–	2	–	2
Dividend proposed	–	–	–	–	–	–	–	–	–	–	–	(340,455)	(340,455)	–	(340,455)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,107)	(12,107)
At 30 June 2012 (Unaudited), as restated	3,404,553	3,947,216	273,418	2,861,496	–	93,158	(16,497)	1,019	(857,433)	873,042	12,411,325	–	22,991,297	725,259	23,716,556
At 1 January 2013	3,404,553	3,947,216	273,418	2,877,435	5,157	93,158	(14,533)	1,019	(904,848)	873,042	12,961,520	–	23,517,137	868,426	24,385,563
Loss for the period	–	–	–	–	–	–	–	–	–	–	(922,687)	–	(922,687)	(6,217)	(928,904)
Net profit on cash flow hedges	–	–	–	–	–	–	3,647	–	–	–	–	–	3,647	–	3,647
Exchange realignment	–	–	–	–	–	–	–	–	(100,326)	–	–	–	(100,326)	(2,483)	(102,809)
Total comprehensive expenses for the period	–	–	–	–	–	–	3,647	–	(100,326)	–	(922,687)	–	(1,019,366)	(8,700)	(1,028,066)
Conversion of convertible bonds	–	1	–	–	–	–	–	–	–	–	–	–	1	–	1
Accrual of safety fund reserve	–	–	–	–	46,174	–	–	–	–	–	(46,746)	–	(572)	572	–
Utilisation of safety fund reserve	–	–	–	–	(20,884)	–	–	–	–	–	20,884	–	–	–	–
Contribution from non-controlling interests shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	8	8
At 30 June 2013 (Unaudited)	3,404,553	3,947,217	273,418	2,877,435	30,447	93,158	(10,886)	1,019	(1,005,174)	873,042	12,012,971	–	22,497,200	860,306	23,357,506

The accompanying notes from pages 34 to 68 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**637,517**	(221,855)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**113,042**	125,689
Interest received	**9,738**	1,572
Dividends received from jointly-controlled entities	**16,800**	11,250
Dividends received from available-for-sale investments	**1,630**	2,239
Purchases of property, plant and equipment	**(1,437,926)**	(3,146,293)
Investments in held-to-maturity investments	**(87,000)**	—
Loans to associates	**(58,050)**	(14,426)
Investments in jointly-controlled entities	**(670)**	(441,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(1,442,436)**	(3,460,969)
FINANCING ACTIVITIES		
Net cash inflow from notes, bank and other borrowings	**166,871**	3,599,926
Contribution from non-controlling shareholders of subsidiaries	**8**	—
Interest paid	**(353,098)**	(293,463)
Dividend paid	**—**	(194,712)
Other financing cash outflow, net	**—**	(689)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(186,219)**	3,111,062
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(991,138)**	(571,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**3,285,745**	3,376,692
Effect of foreign exchange rate changes, net	**(12,863)**	(30,451)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**2,281,744**	2,774,479
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,281,744**	2,774,479

The accompanying notes from pages 34 to 68 form part of the interim financial information.

1. CORPORATE INFORMATION

China Shipping Development Company Limited (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office and principal place of business of the Company is located at Room A-1015, No 188 Ye Sheng Road, Yangshan Free Trade Port, Shanghai, the PRC and 670 Dong Da Ming Road, Shanghai, the PRC respectively. During the period, the Company and its subsidiaries (together the "Group") were involved in the following principal activities:

(a) investment holding; and/or

(b) oil and cargo shipment along the PRC coast and international shipment; and/or

(c) vessel chartering.

The Company's ultimate holding company is China Shipping (Group) Company ("China Shipping"), a state-owned enterprise established in the PRC.

The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

The interim financial information is presented in Renminbi ("RMB"), which is the functional currency of the Group, and all values are rounded to the nearest thousand except where otherwise indicated.

The interim financial information has been approved for issue by the Board of Directors on 19 August 2013.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2012 set out in the Company's 2012 annual report.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Significant accounting policies

The interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

A number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") are effective for the financial year beginning on 1 January 2013. Except as described below (Note 2.3), the same accounting policies, presentation and methods of computation have been followed in this interim financial information for the six months ended 30 June 2013 as were applied in the preparation of the Company's consolidated financial statements for the year ended 31 December 2012.

2.3 Impact of new and revised HKFRSs and changes in accounting policies

Impact of new and revised HKFRSs

In the current period, the Group has adopted the following new and revised standards and amendments (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2013. The adoption of the new and revised HKFRSs has had no material effect on the interim financial information of the Group for the current and previous accounting periods.

Improvements to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 Impact of new and revised HKFRSs and changes in accounting policies (Continued)

Impact of HKFRSs issued but not yet effective

HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[1]
HKFRS 9	Financial instruments[2]
HKAS 32 (Amendments)	Presentation offsetting financial assets and financial liabilities[1]
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets[1]
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 13 Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurements guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial information. The Group has provided those disclosures in note 19. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The application of the other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these interim financial information and/or disclosure set out in these interim financial information.

3. CHANGE IN ACCOUNTING POLICY

In previous year, investment properties, subsequent to initial recognition, were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. According to the resolutions passed at the seventeenth Board meeting of the Company held on 27 November 2012, with effect from 1 December 2012, measurement method subsequent to initial recognition has been changed to fair values. Accordingly, gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. The management believes that the new policy results in a more appropriate presentation of the Group's investment properties.

This change in accounting policy has been applied retrospectively. Depreciation recognised for these investment properties of RMB2,984,000 was reversed during the period ended 30 June 2012 after change in accounting policy in investment properties from cost to fair value model.

The effect of the change in accounting policy in the consolidated statement of financial position at 31 December 2011 were disclosed in the Company's 2012 annual report.

The effects of the change in accounting policy in the condensed consolidated statement of comprehensive income for the period ended 30 June 2012 is set out below.

3. CHANGE IN ACCOUNTING POLICY (Continued)

Condensed consolidated statement of comprehensive income for the period ended 30 June 2012

	2012 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2012 RMB'000 (as restated)
Revenue			
Turnover	5,614,970	—	5,614,970
Operating costs	(5,851,041)	—	(5,851,041)
Gross loss	(236,071)	—	(236,071)
Other income and gains	119,437	—	119,437
Marketing expenses	(26,731)	—	(26,731)
Administrative expenses	(166,656)	2,984	(163,672)
Other expenses	(22,905)	—	(22,905)
Share of profits of jointly-controlled entities	152,125	—	152,125
Finance costs	(280,185)	—	(280,185)
LOSS BEFORE TAX	(460,986)	2,984	(458,002)
Tax	(169)	—	(169)
LOSS FOR THE PERIOD	(461,155)	2,984	(458,171)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange realignment	65,311	—	65,311
Net profit on cash flow hedges	880	—	880
Other comprehensive income for the period	66,191	—	66,191
Total comprehensive expenses for the period	(394,964)	2,984	(391,980)
Loss for the period attributable to:			
Owners of the Company	(495,377)	2,984	(492,393)
Non-controlling interests	34,222	—	34,222
	(461,155)	2,984	(458,171)

3. CHANGE IN ACCOUNTING POLICY (Continued)

Condensed consolidated statement of comprehensive income for the period ended 30 June 2012 (Continued)

	2012 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2012 RMB'000 (as restated)
Total comprehensive expenses for the period attributable to:			
Owners of the Company	(429,539)	2,984	(426,555)
Non-controlling interests	34,575	—	34,575
	(394,964)	2,984	(391,980)
Loss per share - basic	14.55 cents	(0.09) cents	14.46 cents
Loss per share - diluted	14.55 cents	(0.09) cents	14.46 cents

4. REVENUE AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are categorised as follows:

(i) oil shipment; and

(ii) dry bulk shipment
– coal shipment
– iron ore shipment
– other dry bulk shipment

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

There is seasonality for the Group's turnover but the effect is small. An analysis of the Group's turnover and contribution to the gain/(loss) from operating activities by principal activity and geographical area of operations for the period is set out as follows:

	For the six months ended 30 June			
	2013 (Unaudited)		2012 (Unaudited)	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000 (restated)
By principal activity:				
Oil shipment	2,641,678	(117,212)	2,832,421	(131,927)
Dry bulk shipment				
– Coal shipment	1,265,770	(135,482)	1,381,043	(129,103)
– Iron ore shipment	1,078,222	137,341	1,056,551	106,420
– Other dry bulk shipment	242,120	(100,231)	344,955	(81,461)
	2,586,112	(98,372)	2,782,549	(104,144)
	5,227,790	(215,584)	5,614,970	(236,071)
Other income and gains		18,514		119,437
Marketing expenses		(20,244)		(26,731)
Administrative expenses		(182,877)		(163,672)
Other expenses		(18,116)		(22,905)
Share of (losses)/profits of jointly-controlled entities		(37,735)		152,125
Finance costs		(467,507)		(280,185)
Loss before tax		(923,549)		(458,002)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	For the six months ended 30 June			
	2013 (Unaudited)		2012 (Unaudited)	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000 (restated)
Total segment assets				
Oil shipment		22,702,435		25,554,619
Dry bulk shipment		15,972,687		24,651,085
Unallocated corporate assets		18,470,364		4,969,969
		57,145,486		55,175,673
Total segment liabilities				
Oil shipment		15,969,338		16,569,375
Dry bulk shipment		12,599,097		14,615,657
Unallocated corporate liabilities		5,219,545		396,557
		33,787,980		31,581,589

Segment contribution represent gross loss from each segment without allocation of central administration costs (including directors' remuneration), marketing expenses, other expenses, share of (losses)/profits of jointly-controlled entities, other income and gains and finance costs. This is the measure reported to chief operating decision makers for the purposes of resource allocation and performance assessment.

The carrying value of tanker and dry bulk vessel at 30 June 2013 amounted to RMB19,733,565,000 and RMB21,532,358,000 respectively (31 December 2012: RMB19,258,740,000 and RMB20,392,431,000 respectively).

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the six months ended 30 June			
	2013 (Unaudited)		2012 (Unaudited)	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000 (restated)
By geographical area:				
Domestic	2,248,904	(25,374)	2,409,410	(77,760)
International	2,978,886	(190,210)	3,205,560	(158,311)
	5,227,790	(215,584)	5,614,970	(236,071)
Other income and gains		18,514		119,437
Marketing expenses		(20,244)		(26,731)
Administrative expenses		(182,877)		(163,672)
Other expenses		(18,116)		(22,905)
Share of (losses)/profits of jointly-controlled entities		(37,735)		152,125
Finance costs		(467,507)		(280,185)
Loss before tax		(923,549)		(458,002)
Turnover				
Total segment turnover		5,227,790		5,614,970
Less: inter-segment transactions		—		—
Total consolidated turnover		5,227,790		5,614,970

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	For the six months ended 30 June 2013			
	Oil shipment RMB'000	Dry bulk shipment RMB'000	Others RMB'000	Total RMB'000
Additions to segment non-current assets	230,915	1,139,688	389,362	1,759,965
Depreciation	403,898	404,523	1,201	809,622
Loss on disposal of property, plant and equipment	(157)	(8,989)	(1)	(9,147)
Interest income	14,385	13,482	4,325	32,192

	For the six months ended 30 June 2012 (restated)			
	Oil shipment RMB'000	Dry bulk shipment RMB'000	Others RMB'000	Total RMB'000
Additions to segment non-current assets	948,648	3,132,126	3,030	4,083,804
Depreciation	356,635	353,424	1,613	711,672
Gain on disposal of property, plant and equipment	1,528	6,444	7,221	15,193
Interest income	4,518	6,035	17,339	27,892

The principal assets employed by the Group are located in the PRC and accordingly, no segment analysis of assets and expenditure has been prepared.

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Other income		
Bank interest income	27,960	25,514
Rental income from investment properties	10,385	6,164
Government subsidies (note)	9,605	67,933
Interest income from loan receivables	2,338	2,378
Interest income from held-to-maturity investments	1,894	—
Commission income	—	5,861
Others	4,409	2,096
	56,591	109,946
Other (losses)/gains		
Dividends from available-for-sale investments	1,630	2,239
Exchange losses, net	(33,599)	(8,687)
(Loss)/gain on disposal of property, plant and equipment, net	(9,147)	15,193
Others	3,039	746
	(38,077)	9,491
Other income and gains	18,514	119,437

Note: For the period ended 30 June 2013, the Group received a refund of value-added tax ("VAT") of RMB8,494,000 (six months ended 30 June 2012: RMB35,014,000) and no government subsidy for business development purpose was granted during the period (six months ended 30 June 2012: RMB26,910,000). There were no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Total finance costs		
Interest expenses in:		
– Bank loans and other borrowings repayable within five years	195,277	154,121
– Bank loans and other borrowings repayable over five years	125,642	169,711
– Corporate bonds	124,122	—
– Convertible bonds	91,718	87,405
– Notes	59,356	101,370
– Finance lease	10,661	—
– Hedge loan	3,335	3,940
Other loan or borrowings costs and charges	132	—
	610,243	516,547
Less : Interest capitalised	(142,736)	(236,362)
Finance costs	467,507	280,185

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**2,947,331**	3,283,883
Others (including vessel depreciation and crew expenses)	**2,496,043**	2,567,158
Depreciation	**809,622**	711,672
Operating lease rentals:		
Land and buildings	**24,288**	23,319
Vessels	**255,648**	326,825
Total operating lease rentals	**279,936**	350,144
Staff costs (including directors' remuneration salaries, pension and crew expenses)	**849,963**	843,819
Loss/(gain) on disposal of property, plant and equipment, net	**9,147**	(15,193)
Government subsidies	**(9,605)**	(67,933)
Dry-docking and repairs	**164,819**	259,679

8. TAX

(i) Hong Kong Profits Tax

Hong Kong profits tax was not provided for in the interim financial information as the Group did not have any assessable profits arising in Hong Kong during the six months period ended 30 June 2013 and 2012.

(ii) PRC Corporate Income Tax

Under the Law of the People's Republic of China on Corporate Income Tax Law (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the company is 25% from 1 January 2008 onward.

Non-resident enterprises without an establishment or a place of business in the PRC or which have an establishment or a place of business in the PRC but which relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC (the "New Tax Law"). The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Hong Kong	**—**	—
PRC		
– Charge for the period	**2,191**	1,721
– Under provision in prior years	**1**	969
Deferred tax charge/(credit)	**3,163**	(2,521)
Total tax charge for the period	**5,355**	169

9. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited) (restated)
Loss attributable to owners of the Company (RMB'000)	**922,687**	492,393
Weighted average number of ordinary shares in issue (thousands)	**3,404,553**	3,404,553
Basic loss per share (RMB cents per share)	**27.10**	14.46

(b) Diluted loss per share

As the Company does not have any potential dilutive ordinary shares during the period ended 30 June 2013 (six months ended 30 June 2012: RMB Nil), diluted loss per share is the same as basic loss per share.

10. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).

11. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND ASSETS CLASSIFIED AS HELD FOR SALE

During the period, additions to construction in progress amounted to RMB1,693,188,000 (six months ended 30 June 2012: RMB3,902,779,000).

During the period, the construction of five tankers at cost of RMB1,207,193,000 and five dry bulk vessels at cost of RMB1,511,985,000 (six months ended 30 June 2012: three tankers at cost of RMB1,028,189,000 and ten dry bulk vessels at cost of RMB5,189,772,000) were completed and were transferred from construction in progress to vessels, in which the four dry bulk vessels at cost of RMB657,150,000 were held under finance lease upon completion (six months ended 30 June 2012: Nil). One tanker with net carrying amount of RMB64,118,000 was under repair and was transferred to construction in progress (six months ended 30 June 2012: Two tankers with net carrying amount of RMB71,461,000 completed repairs, and have been put into operation). Meanwhile, there was one used dry bulk vessel at cost of RMB47,840,000 (six months ended 30 June 2012: Nil) acquired during the period.

During the period, one dry bulk vessel and three tankers with net carrying amount of RMB35,786,000 and RMB93,828,000 respectively (six months ended 30 June 2012: four dry bulk vessels and one tanker with net carrying amount of RMB77,176,000 and RMB28,815,000 respectively) were disposed.

The net book value of vessels of RMB41,265,923,000 includes an amount of RMB648,954,000 (six months ended 30 June 2012: Nil) in respect of assets held under finance leases.

During the period, investment properties with fair value of RMB1,193,458,000 (six months ended 30 June 2012: RMB1,193,458,000) were leased.

There is no significant change in the fair value of investment properties during the period end 30 June 2013. The investment properties comprise of commercial buildings located at 670 Dong Da Ming Road, Shanghai, the PRC, held under medium term lease.

12. TRADE AND BILLS RECEIVABLES

The carrying amounts of trade and bills receivables approximate their fair values.

An aged analysis of the trade and bills receivables is as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance	Percentage	Balance	Percentage
	RMB'000	%	RMB'000	%
1 - 3 months	**1,143,150**	**81**	1,345,645	91
4 - 6 months	**263,944**	**19**	131,054	9
7 - 9 months	**8,293**	—	6,751	—
10 - 12 months	**106**	—	1,075	—
1 - 2 years	**623**	—	341	—
	1,416,116	**100**	1,484,866	100

The Group normally allows an average credit period of 30 to 120 days to its major customers. In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

13. TRADE AND BILLS PAYABLES

The carrying amounts of trade and bills payables approximate their fair values.

Ageing analysis of trade and bills payables is as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
1 - 3 months	1,122,683	79	1,083,462	90
4 - 6 months	155,625	11	79,132	6
7 - 9 months	52,795	4	27,010	2
10 - 12 months	36,524	3	3,620	—
1 - 2 years	39,294	3	8,288	1
Over 2 years	7,609	—	6,401	1
	1,414,530	100	1,207,913	100

The trade payables are non-interest-bearing and are normally settled in 30 to 180 days.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements	8,929	12,758

As at 30 June 2013, the Group held two interest rate swap agreements, the total notional principal amount of the two interest rate swap agreements was USD114,093,333 (approximately RMB704,993,000). The interest rate swap agreements, with maturity in January and September 2016 are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

During the current period, the floating interest rates of the bank loans were LIBOR + 0.42% or 0.45% (31 December 2012: LIBOR + 0.42% or 0.45%). The gains and losses for the interest rate swap agreements during the period are as follows:

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Total fair value gain included in the hedging reserve	3,647	880
Hedge loan interest included in finance costs	(3,335)	(3,940)
Total gain/(losses) on cash flow hedges of interest rate swap agreements for the current period	312	(3,060)

15. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows:

	Annual effective Interest (%)	Maturity	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Current liabilities				
(i) **Bank loans**				
Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2013-2014	1,531,463	1,069,328
Unsecured	5% discount to the PBC Benchmark interest rate, Libor + 0.40% to 4.00%, 3.50%	2013-2014	2,055,592	1,678,164
			3,587,055	2,747,492
(ii) **Other borrowings**				
Secured	5.89%, 6.46%	2013	4,590	18,657
Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.00%	2013	782,740	1,428,740
			787,330	1,447,397
Interest-bearing bank and other borrowings – current portion			4,374,385	4,194,889

15. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows: (Continued)

	Annual effective Interest (%)	Maturity	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Non-current liabilities				
(i) **Bank loans**				
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.40% to 2.20%, 6.46% to 6.80%	2016-2024	7,772,051	8,327,379
Unsecured	Libor + 1.35% to 1.70%, 6.55%	2019-2024	1,434,809	1,257,236
			9,206,860	9,584,615
(ii) **Notes**				
Unsecured	3.90%	2014	2,998,067	2,997,211
(iii) **Other borrowings**				
Secured	5.89%, 6.46%	2023	141,015	188,663
Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2014-2023	5,400,220	5,436,590
			5,541,235	5,625,253
Notes, interest-bearing bank and other borrowings – non-current portion			17,746,162	18,207,079

15. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) As at 30 June 2013, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Analysed into:		
(i) Bank loans:		
Within one year or on demand	**3,587,055**	2,747,492
In the second year	**1,214,490**	1,254,148
In the third to fifth year, inclusive	**3,523,607**	3,595,355
Over five years	**4,468,763**	4,735,112
	12,793,915	12,332,107
(ii) Notes:		
In the second year	**2,998,067**	2,997,211
(iii) Other borrowings:		
Within one year or on demand	**787,330**	1,447,397
In the second year	**2,407,615**	86,554
In the third to fifth year, inclusive	**26,520**	2,407,994
Over five years	**3,107,100**	3,130,705
	6,328,565	7,072,650
	22,120,547	22,401,968

The Group's bank loans are secured by pledges or mortgages of the Group's 30 vessels (31 December 2012: 31 vessels) and another 6 vessels under construction (31 December 2012: 6 vessels under construction) with total net carrying amount of RMB15,679,997,000 (31 December 2012: RMB16,073,385,000) at 30 June 2013. Collateralised borrowings are secured by trade receivables of RMB485,526,000 (31 December 2012: RMB Nil).

The carrying value of the Group's notes, interest-bearing bank and other borrowings approximate their fair values.

Except for secured bank loans of RMB9,163,619,000 (31 December 2012: RMB8,924,947,000), unsecured bank loans of RMB2,851,649,000 (31 December 2012: RMB1,964,098,000) and unsecured other borrowings of RMB Nil (31 December 2012: RMB628,550,000) which are denominated in USD, all other borrowings are denominated in RMB.

16. BONDS PAYABLE

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Convertible bonds	**3,359,540**	3,267,823
Corporate bonds	**4,964,247**	4,961,395
	8,323,787	8,229,218

(a) Convertible bonds

The Company's A-share convertible bonds amounting to RMB3,950,000,000 were issued on 1 August 2011, with a term of 6 years, by issuing 39,500,000 number of bonds at a nominal value of RMB100 each. The convertible bonds are convertible into A-shares of the Company at anytime between six months after the date of issue of the convertible bonds and the maturity date of the convertible bonds, being 2 February 2012 to 1 August 2017, at initial conversion price of RMB8.7 per share.

On 17 May 2012, the Company declared a 2011 final dividend of RMB0.1 per share (before tax). According to the terms of issuance of the convertible bonds and relevant regulations by China Securities Regulatory Commission, the Company changed the conversion price from RMB8.7 per share to RMB8.6 per share effective from 1 June 2012.

If the convertible bonds have not been converted, they will be redeemed at 105% of par value within five trading days after the maturity of the convertible bonds. The convertible bonds bear interest at 0.5% for the first year, 0.7% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2% for the sixth year. The interests are payable annually in arrears on 1 August of each year starting from 2012.

Within the last two years of the convertible bonds, if the closing price of A-share is traded at lower of 70% of the initial conversion price for thirty consecutive trading days, the convertible bonds holders are entitled to a one-off right to request the Company to redeem the convertible bonds wholly or partially at par, with interest accrued on that day.

The Company is entitled to redeem the convertible bonds wholly at par plus accrued interest if: (i) the closing price of the Company's shares is at or higher than 130% of the initial conversion price for any fifteen trading days in thirty consecutive trading days from issuance of the convertible bonds; or (ii) the aggregate par value of the outstanding convertible bonds is less than RMB30,000,000 at any time from issuance of the convertible bonds.

16. BONDS PAYABLE (Continued)

(a) Convertible bonds (Continued)

The convertible bond was split into liability (including the value of closely-related early redemption option and callable option) and equity components of RMB3,039,329,000 and RMB873,043,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount to the equity component. The liability component is subsequently carried at amortised cost and equity component is recognised in the convertible bonds equity reserve. The effective interest of the liability component is 5.6% per annum.

The movement of the liability component of the convertible bonds for the period is set out below:

	RMB'000
Carrying amount at 31 December 2012	3,267,823
Interest charge	91,718
Conversion during the year	(1)
Carrying amount at 30 June 2013	3,359,540

The fair value and effective interest rate of the liability component of the convertible bonds at 30 June 2013 is RMB3,359,540,000 (31 December 2012: RMB3,267,823,000) and 5.6% (31 December 2012: 5.6%) per annum respectively.

Interest expense of RMB91,718,000 (30 June 2012: RMB87,405,000) has been recognised in the condensed consolidated statement of comprehensive income in respect of the convertible bonds for the period ended 30 June 2013.

(b) Corporate bonds

i) The movement of the corporate bonds for the period is set out below:

	RMB'000
Balance as at 31 December 2012	4,961,395
Interest charge	2,852
Balance as at 30 June 2013	4,964,247

16. BONDS PAYABLE (Continued)

(b) Corporate bonds (Continued)

As at 30 June 2013, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond RMB'000	At 31 December 2012 RMB'000	Interest charge RMB'000	At 30 June 2013 RMB'000
3 August 2012	3 years	1,000,000	991,400	992,527	1,359	993,886
3 August 2012	10 years	1,500,000	1,487,100	1,487,519	506	1,488,025
29 October 2012	7 years	1,500,000	1,488,600	1,488,844	691	1,489,535
29 October 2012	10 years	1,000,000	992,400	992,505	296	992,801
		5,000,000	4,959,500	4,961,395	2,852	4,964,247

The Company issued 2 batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bond with a principal value of RMB1 billion, carrying an annual interest rate of 4.20% and matures on 3 August 2015. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is a ten-year corporate bond with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.00% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued a further 2 batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bond with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is a ten-year corporate bond with a principal value of RMB1 billion, carrying an annual interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

17. ISSUED CAPITAL

	2013 (Unaudited) Number of shares	2013 (Unaudited) RMB'000	2012 (Unaudited) Number of shares	2012 (Unaudited) RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1.00 each				
At 1 January and 30 June	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
Listed A-Shares of RMB1.00 each				
At 1 January	**2,108,552,613**	**2,108,553**	2,108,552,270	2,108,552
Conversion of convertible bonds	**116**	**—**	343	1
At 30 June	**2,108,552,729**	**2,108,553**	2,108,552,613	2,108,553
Total capital	**3,404,552,729**	**3,404,553**	3,404,552,613	3,404,553

Convertible bonds: convertible bonds converted during the six months period ended 30 June 2013 resulted in 116 shares being issued (six months ended 30 June 2012: 343 shares). The related conversion price was RMB8.6 (six months ended 30 June 2012: RMB8.7) per share.

All of the ordinary shares were circulated without trading restriction at the period end date.

18. OPERATING LEASE ARRANGEMENT

(a) As lessor

The Group leases certain of its vessels under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years (2012: 1 to 3 years).

As at 30 June 2013, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Within one year	**62,994**	71,633
In the second to fifth year, inclusive	**792**	36,341
	63,786	107,974

18. OPERATING LEASE ARRANGEMENT (Continued)

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from 1 to 15 years (2012: 1 to 15 years).

As at 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Within one year	**318,206**	354,130
In the second to fifth year, inclusive	**1,014,714**	1,122,046
After five years	**2,172,086**	2,473,483
	3,505,006	3,949,659

19. FINANCIAL INSTRUMENTS

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 30 June 2013 and 31 December 2012.

(a) Fair value of financial assets and financial liabilities measured at fair value

(i) Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2013 (Unaudited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities:				
Derivative financial instruments	—	8,929	—	8,929

	31 December 2012 (Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities:				
Derivative financial instruments	—	12,758	—	12,758

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended 31 December 2012. There was no transfer between levels 1, 2 and 3 in the current and prior periods.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is determined by reference to the present value of estimated future cash flows.

(b) Fair values of financial assets and financial liabilities carried at other than fair value

The carrying amounts of the group's financial assets and financial liabilities carried at cost are not materially different from their fair values as at 30 June 2013 and 31 December 2012.

20. CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group is in the process of setting up a Limitation of Liability for Maritime Claims fund amounting to RMB22,250,000. Since the Group had been insured, all compensation will be borne by the insurance company. As at 30 June 2013, the Group was still in the process of settling all the issues concerned.

(ii) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 30 June 2013, claims on damage caused by the fuel leakage amounted to an aggregate of RMB40,537,000. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensation will be borne by the insurance companies. As at 30 June 2013, the Group was still in the process of settling all the issues concerned.

(iii) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies above entered into Ship Building Contracts for the construction of one LNG vessel each. After the completion of the LNG vessels, the four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following Charterers:

Company name	Charterer
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four guaranteed leases ("the lease guarantees"). According to the lease guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of the lease guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB51 million).

The guarantee period is limited to that of the lease period, which is 20 years.

(iv) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. As at 10 July 2013, the claims on damage caused by the collision amounted to an aggregate of RMB95,000,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 8 August 2013, the Group was still in the process of settling all the issues concerned.

21. CAPITAL COMMITMENTS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (Note 1)	**12,508,415**	6,742,053
Equity investments (Note 2)	**1,029,673**	1,029,703
	13,538,088	7,771,756

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments at 30 June 2013 of which RMB5,916,284,000 (31 December 2012: RMB6,742,053,000) will be due within one year.

Note:

(1) According to the construction and purchase agreements entered into by the Group from January 2007 to June 2013, these capital commitments will fall due in 2013 to 2017.

(2) Included capital commitments in respect of equity investments is commitment to invest in jointly-controlled entities, Shenhua Zhonghai, of RMB1,029,668,000 (31 December 2012: RMB1,029,668,000) and a subsidiary, China Energy Shipping Investment Company Limited of RMB5,000 (31 December 2012: RMB35,000) respectively.

In addition to the above, the Group's share of the capital commitments of its associate which are contracted for but not provided amounted to RMB1,184,321,000 (31 December 2012: RMB1,561,350,000). The Group's share of the capital commitments of its jointly-controlled entity, which are contracted for but not provided amounted to RMB1,601,311,000 (31 December 2012: RMB2,353,458,000); and no commitment is authorised but not contracted for at 30 June 2013 (31 December 2012: RMB1,286,211,000).

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the interim financial informations, business transactions between the Group and its holding company, fellow subsidiaries, jointly-controlled entities, holding company's jointly-controlled entities as well as related parties for the periods, which are also considered by directors as related party transactions, are set out as below:

(1) A services agreement signed in October 2012 between the Company and China Shipping became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting hold on 18 December 2012. Pursuant to the services agreement, China Shipping, its subsidiaries or jointly-controlled entities will provide to the Group the necessary supporting shipping materials and services for the ongoing operating of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The services agreement is effective for three years, from 1 January 2013 to 31 December 2015. The fees for the agreed supplies and services payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state-fixed price, market price or cost.

22. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or jointly-controlled entities in respect of the services agreement for the period ended 30 June 2013 and 2012 are set out below:

		For the six months ended 30 June	
	Pricing basis	2013 Total value (Unaudited) RMB'000	2012 Total value (Unaudited) RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**137,140**	128,887
Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for life boats	Market prices	**1,290,496**	1,035,503
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**19,682**	21,609
Crew expenses	Market prices	**33,943**	14,646
Accommodation, lodging, medical services and transportation for employees	State-fixed prices or market prices	**3,181**	6,120
Miscellaneous management services	Market prices	**11,390**	11,617
Agency commissions	Market prices	**52,069**	49,063
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**3,337**	994

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to subsidiaries and jointly-controlled entities of China Shipping from time to time.

22. RELATED PARTY TRANSACTIONS (Continued)

(2) Except for the related party transactions outlined above, details of the Group's related party transactions with the holding company, fellow subsidiaries, jointly-controlled entities, associates and related companies are as follows:

	Notes	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Vessel chartering charges	(i)	**17,613**	29,240
Vessel chartering income		**28,045**	12,008
Sale of vessels		**—**	32,543
Purchases and construction of vessels	(ii)	**18,730**	572,121
Rental income		**9,803**	4,182
Shipment income		**213,603**	367,455
Interest income from associates		**2,338**	815
Loan interest payment	(iii)	**183,546**	218,585

The Group has entered into the following agreements:

(i) In November 2012, China Shipping (Hong Kong) Holdings Co., Limited ("CSHK") and Xi Chuan Shipping S.A., an indirectly wholly-owned subsidiary of the Company, entered into a bare-boat charter contract where CSHK will lease the tanker "Song Lin Wan" to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2013 to 31 December 2013. The aggregate payment is up to USD2,928,000.

(ii) On 13 January 2012, China Shipping Development Hong Kong (Hong Kong) Marine Co., Limited, a wholly owned subsidiary of the Company, entered into the agreement with China Shipping Industrial Co., Limited ("CS Industrial") and CS Industrial (Jiangsu) Co., Limited ("CS Industrial (Jiangsu)") for the construction of the tankers for the transportation of crude oil and refined oil. The total consideration for the construction of the tanker is approximately USD53,280,000.

On 15 June 2012, Shanghai Yinhua Shipping Co., Limited, a subsidiary of the Company, entered into the agreement with CS Industrial (Jiangsu) for construction of the bulk vessel for the transportation of coal and other dry bulk cargo. The total consideration for the construction of the bulk vessel is RMB182,800,000.

On 28 September 2010, the Company entered into the agreements with CS Industrial and CS Industrial (Jiangsu) for the construction of 12 vessels for the transportation of coal and other bulk cargo. The total consideration for the construction of the vessels is RMB2,553,600,000.

During the period, the total consideration paid for the construction in progress of the vessels is RMB18,730,000.

22. RELATED PARTY TRANSACTIONS (Continued)

(iii) At the 2010 second board meeting held on 26 March 2010, the Company passed the resolution of entering into the entrusted loan agreement with China Shipping and China Shipping Finance Co., Limited ("CS Finance"), a jointy-controlled entity of the Group, whereby China Shipping entrusted CS Finance to provide a three-year loan in the amount of RMB1,300,000,000 to the Company. The loan is used to pay CS Industrial (Jiangsu) for the construction of 57,300 deadweight tons vessel. The interest rate is a preferential rate determined by the commercial bank interest rate on the date of drawdown of such loan by the Company. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid. The entrusted loan was fully repaid on 15 January 2013.

On 30 March 2010, the Company entered into a loan agreement with CS Finance whereby CS Finance provided a five-year loan in the amount up to RMB1,500,000,000 to the Company. The loan is used to finance the construction of 22 vessels. The interest rate is the preferential rate determined by applying a 10% discount to the 5-year term benchmark interest rate as published by the PBC on the date of drawdown of such loan by the Company, and interest will be adjusted annually. Interest payments are to be settled every quarter of the year and the principal would be repaid on 1 April 2015.

On 31 May 2012, the Company entered into two loan assignment agreements to assign the outstanding loan balances on that date of RMB436,560,000 and RMB109,140,000 to China Shipping Bulk Carrier Co., Limited and China Shipping Bulk Carrier (Shanghai) Co., Limited, the wholly-owned subsidiaries, respectively. During the period, the two loans have been repaid for the amount of RMB29,100,000 and RMB7,270,000 respectively.

On 8 August 2011, the Company entered into the entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB3,000,000,000 to the Company. The entrusted loan has a term of seven years commencing from 9 August 2011 and ending on 8 August 2018. The interest rate is 6.51% per annum. CS Finance will also charge an administrative fee of RMB300,000 per annum.

22. RELATED PARTY TRANSACTIONS (Continued)

(iii) (Continued)

On 26 March 2012, the Company entered into the entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB2,000,000,000 to the Company. The loan has a term of three years commencing from 26 March 2012 and ending on 26 March 2015 at 5.02% per annum. CS Finance will also charge a one-off administrative fee of RMB600,000. A supplementary agreement was signed in December 2012 and pursuant to this new agreement; the interest rate was decreased from 5.02% per annum to 4.12% per annum for one year, with effect from 26 March 2012. After the date of 26 March 2013, the interest rate has been adjusted to fixed 5.02% per annum.

On 25 June 2012, Shanghai Jiahe Shipping Co., Limited ("Shanghai Jiahe"), a subsidiary of the Company, entered into a loan agreement with CS Finance whereby CS Finance provided a ten-year loan of RMB53,600,000 to Shanghai Jiahe. The loan is used to finance the construction of vessel. The interest rate is fixed at 6.46% per annum. In March 2013, a further RMB4,000,000 was withdrawn by Shanghai Jiahe from CS Finance. During the interim period, RMB500,000 has been repaid.

The related interest expenses RMB183,546,000 for the period ended 30 June 2013 have been included in the finance cost.

(3) In October 2012, the Company entered into a the "Financial Services Framework Agreement" with CS Finance Company and this became effective subsequent to the approval by the independent shareholders' at an extraordinary general meeting on 18 December 2012. Pursuant to which China Shipping shall procure CS Finance to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) other financial services as approved by China Banking Regulatory Commission. The Financial Services Framework Agreement is effective for 3 years from 1 January 2013 to 31 December 2015.

22. RELATED PARTY TRANSACTIONS (Continued)

(4) Outstanding balances with related parties

(i) Loan receivables represent loans to associates, which are unsecured, bear interests at libor plus 3.3% to 4.9% over 3 months libor per annum and repayable in year 2030 to year 2031.

(ii) Included in trade and bill receivables are the amounts due from jointly-controlled entities and fellow subsidiaries amounting RMB89,005,000 (31 December 2012: RMB39,235,000).

(iii) Included in prepayments, deposits and other receivables are the amounts due from jointly-controlled entities and fellow subsidiaries amounting RMB326,972,000 (31 December 2012: the amounts due from fellow subsidiaries amounting RMB204,202,000).

(iv) Included in cash and cash equivalent represents an amount of RMB933,190,000 (31 December 2012: RMB1,437,942,000) of bank balance deposited with CS Finance.

(v) Included in trade and bills payables are the amounts due to fellow subsidiaries amounting RMB940,428,000 (31 December 2012: RMB803,226,000).

(vi) Included in other payables and accruals are the amounts due to ultimate holding company, jointly-controlled entities and fellow subsidiaries amounting RMB42,293,000 (31 December 2012: the amounts due to fellow subsidiaries amounting RMB46,184,000).

(vii) Included in other borrowings represent an amount of RMB1,240,060,000 (31 December 2012: RMB562,930,000) were borrowed from CS Finance. As at 30 June 2013, the current and non-current portion of this borrowing amounted to RMB784,540,000 (31 December 2012: RMB59,200,000) and RMB455,520,000 (31 December 2012: RMB503,730,000) respectively.

Included in other borrowings represent an amount of RMB5,000,000,000 (31 December 2012: RMB6,300,000,000) borrowed from the Company's ultimate holding company. As at 30 June 2013, the current and non-current portion of this borrowing amounted to RMB Nil (31 December 2012: RMB1,300,000,000) and RMB5,000,000,000 (31 December 2012: RMB5,000,000,000) respectively.

The amounts due from/(to) the ultimate holding company, jointly-controlled entities and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.